

Inspector General

United States
Department *of* Defense



DoD Generally Effective at Correcting Causes
of Antideficiency Act Violations in Military
Personnel Accounts, But Vulnerabilities
Remain

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 30 NOV 2012		2. REPORT TYPE		3. DATES COVERED 00-00-2012 to 00-00-2012	
4. TITLE AND SUBTITLE DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, But Vulnerabilities Remain				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Inspector General of the Department of Defense, 400 Army Navy Drive, Arlington, VA, 22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 50	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Information

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at auditnet@dodig.mil.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing at auditnet@dodig.mil or by mail:

Department of Defense Office of Inspector General
Office of the Deputy Inspector General for Auditing
ATTN: Audit Suggestions/13F25-04
4800 Mark Center Drive
Alexandria, VA 22350-1500



Acronyms and Abbreviations

ADA	Antideficiency Act
BA	Budget Activity
BUPERS	Bureau of Navy Personnel
CMA	Centrally Managed Allotment
DoD FMR	DoD Financial Management Regulation
MILPERS	Military Personnel
OMB	Office of Management and Budget
PCS	Permanent Change of Station
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 30, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD Generally Effective at Correcting Causes of Antideficiency Act
Violations in Military Personnel Accounts, But Vulnerabilities Remain
(Report No. DODIG-2013-027)

We are providing this report for review and comment. This audit was required by Section 8109 of the Consolidated Appropriations Act, 2012. The Military Departments were generally effective implementing and sustaining corrective actions taken in response to nine Antideficiency Act violations, involving the Military Personnel accounts, totaling \$541.9 million, reported since October 1, 2002. However, controls over tracking the corrective actions could be improved. In addition, Army and Navy Comptroller personnel did not annually assess the adequacy of control procedures for centrally managed allotments to prevent Antideficiency Act violations and justify their use.

DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Department of the Navy were responsive, and we do not require additional comments. We received comments from the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD; Department of the Army; and Department of the Air Force that were generally responsive. However, the comments from the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, on Recommendation B.1.b and the comments from the Departments of the Army and Air Force on Recommendation A.2 were only partially responsive. We request additional comments on these recommendations by December 31, 2012.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send a portable document format (.pdf) file containing your comments to audfmr@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8938.

Richard B. Vasquez, CPA
Acting Assistant Inspector General
Financial Management and Reporting



Results in Brief: DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, But Vulnerabilities Remain

What We Did

We determined whether DoD developed and implemented effective controls to prevent future Antideficiency Act (ADA) violations in the Military Personnel (MILPERS) accounts. This audit was required by Section 8109 of the Consolidated Appropriations Act, 2012.

What We Found

The Military Departments were generally effective in implementing and sustaining corrective actions for the nine MILPERS ADA violations, totaling \$541.9 million, reported since October 1, 2002. Specifically, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO) and the Military Department's Assistant Secretaries for Financial Management and Comptroller (Comptroller) personnel provided adequate support to substantiate that 36 of 44 corrective actions were implemented and sustained. However, in four of the nine violations, Army and Navy Comptroller personnel could not demonstrate that they had completed and sustained eight corrective actions, including three actions still in process. This occurred because DoD had not established sufficient controls to ensure that required corrective actions in MILPERS ADA violation reports were properly implemented, sustained, and documented. As a result, DoD remained vulnerable to future MILPERS ADA violations.

Army and Navy Comptroller personnel did not assess the adequacy of control procedures established for managing centrally managed

allotments (CMAs). This occurred because Army personnel did not recognize this requirement before FY 2012, and Navy personnel did not understand that the MILPERS accounts were covered by this requirement. As a result, the Army and Navy had limited assurance that controls will prevent future MILPERS ADA violations and they have not justified the continued operation of MILPERS accounts as CMAs.

What We Recommend

The USD(C)/CFO should require the Military Departments to report the status of all unimplemented corrective actions and update the DoD Financial Management Regulation to clarify the definition of a CMA and require the Military Departments to provide written assurance of their annual review of CMAs to the USD(C)/CFO.

We recommend that the Assistant Secretaries of the Army, Navy, and Air Force (Financial Management and Comptroller) establish procedures to document corrective actions taken. The Navy should also identify all its CMAs and begin performing and documenting annual reviews.

Management Comments and Our Response

Comments from the Navy were responsive. Comments from the USD(C)/CFO, Army, and Air Force were partially responsive. We request additional comments. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense (Comptroller)/Chief Financial Officer	B.1.b	A.1, B.1.a
Assistant Secretary of the Army (Financial Management and Comptroller)	A.2	
Assistant Secretary of the Navy (Financial Management and Comptroller)		A.2, B.2
Assistant Secretary of the Air Force (Financial Management and Comptroller)	A.2	

Please provide comments by December 31, 2012.

Table of Contents

Introduction	1
Objective	1
Background	1
Review of Internal Controls	5
Finding A. DoD Was Generally Effective In Implementing and Sustaining ADA Violation Corrective Actions	6
General Categories for Numerous Causes of Violations	6
Military Departments Implemented and Sustained Most Corrective Actions	7
Reducing Vulnerability to Future ADA Violations Requires Follow-up and Documentation of Corrective Actions	10
Completing Remaining Corrective Actions Should Take Priority Over Seeking Congressional Action	11
Management Comments on the Finding and Our Response	11
Recommendations, Management Comments, and Our Response	13
Finding B. Army and Navy Did Not Complete Annual Reviews of the Military Personnel Accounts	15
Required Reviews of Centrally Managed Allotments	15
Army and Navy Did Not Comply with the Annual CMA Review Requirement	16
DoD Financial Management Regulation Did Not Require Reporting to USD(C)/CFO	17
Management Comments on the Finding and Our Response	18
Recommendations, Management Comments, and Our Response	18
Appendices	
A. Scope and Methodology	20
B. Prior Coverage	21
C. Antideficiency Act Summaries	23
Management Comments	
Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD	34
Department of the Army	36
Department of the Navy	38
Department of the Air Force	40

Introduction

Objective

The audit objective was to determine whether DoD developed and implemented effective controls to prevent future Antideficiency Act (ADA) violations in the Military Personnel (MILPERS) accounts. Specifically, we determined whether DoD implemented the corrective actions in prior reports and investigations concluded in the last 10 years that identified ADA violations of the MILPERS accounts and whether DoD maintained its process improvements to prevent future ADA violations. This audit was required by the Consolidated Appropriations Act, 2012 (the Act). See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.

Background

The office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO) submitted proposals for FYs 2012 and 2013 to the House and Senate Appropriations Committees that requested the authority to extend 2 percent of each MILPERS appropriation for obligation for an additional year. USD(C)/CFO personnel stated in their proposal that this would reduce the rate of MILPERS ADA violations by allowing the Military Departments more flexibility for unidentified or underestimated requirements that occurred after a MILPERS appropriation was no longer available for new obligations.

As a result of interest in this request, Section 8109 of the Act required the following:

The Inspector General of the Department of Defense shall conduct a review of Antideficiency Act violations and their causes in the Department of Defense Military Personnel accounts. Based on the findings of the review, the Inspector General shall submit to the congressional defense committees a report containing the results of the review and recommendations for corrective actions to be implemented.

Appropriations and Budget Authority

An appropriation is a provision of legal authority that permits Federal agencies to incur obligations¹ and to make payments out of the U.S. Treasury for a specified purpose. An appropriation usually follows enactment of authorizing legislation by Congress and is the most common means of providing budget authority. Appropriations also represent limitations of amounts and the purpose for which agencies may obligate during the time period specified in the respective appropriation acts.

Following the authorizing legislation, the Office of Management and Budget (OMB) then apportions the funds to agencies. This means that OMB makes distributions of amounts available for obligation in an appropriation into amounts available for specified time

¹An obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

periods, programs, activities, or projects. An apportionment may be further subdivided by an agency into allotments, suballotments, allowances, and allocations. Allotments are subdivisions of apportionments that are made by the heads of agencies. Suballotments are subdivisions of allotments while allowances and allocations are subdivisions of suballotments.

When Congress appropriates budget authority, it sets the period of availability for new obligations of the budget authority and the period normally is specified in the law providing the budget authority.

- Annual budget authority refers to budget authority that is available for obligation for one fiscal year or less.
- Multi-year budget authority is available for obligation for a specified period of time in excess of one fiscal year.
- No-year budget authority is an appropriation which is available for obligation until all funds have been expended.

Centrally Managed Allotments

Centrally managed allotments (CMAs) are established to finance activities when centralized funding controls are more practical for the appropriation. Under centralized fund control, fund allowances, allotments, commitment records, and fiduciary responsibility for the funds are maintained and controlled by a single funds holder, such as the Director of Resource Management /Comptroller. In the event of an ADA violation, the Director of Resource Management /Comptroller would be held accountable for the ADA violation.

By contrast, under decentralized fund control, funds are distributed to other organizations and these organizations then have fiduciary responsibility for the funds received. In the event of an ADA violation, the funds holder of the allocation, suballocation, or other subdivision of funds may be held accountable.

DoD Financial Management Regulation (DoD FMR) volume 14, chapter 1, “Administrative Control of Funds,” January 2009, requires that the head of each DoD Component review its CMAs annually to determine whether its operation should be continued. The annual review must include an evaluation of the adequacy of control procedures established to prevent ADA violations.

Military Personnel Accounts

MILPERS accounts are annual appropriations that fund military member pay and allowances, recruiting and retention incentives, subsistence-in-kind (food rations), permanent change of station (PCS) costs, death gratuities, unemployment compensation benefits, Reserve Officer Training Corps, and Cadet stipends. Most of the MILPERS accounts are centrally managed.

MILPERS accounts consist of 10 separate annual appropriations. The Army and the Air Force each have three appropriations (Active, Reserve, and National Guard) while the

Navy and Marine Corps each have two appropriations (Active and Reserve). Appropriations are broken down into categories, called Budget Activities (BAs), which identify the purposes, projects, or types of activities financed by the appropriation. There are six BAs within the Active MILPERS accounts.

- BA 1 - Pay and Allowances of Officers
- BA 2 - Pay and Allowances of Enlisted
- BA 3 - Pay and Allowance of Cadets
- BA 4 - Subsistence of Enlisted Personnel
- BA 5 - PCS
- BA 6 - Other MILPERS Cost

The Reserve and National Guard components of the Military Services use a single BA, Unit and Individual Training, to manage all of their funding.

There is minimal discretionary spending within the MILPERS accounts. More than 90 percent of the annual MILPERS accounts is required for pay and benefits to military service members, and the funds must be paid according to the number of service members. Some PCS costs, including the cost of storage of family household goods (sometimes for lengthy periods) are difficult to estimate. This creates a unique end-of-year budgeting and expenditure execution challenge for DoD.

Antideficiency Act

The ADA consists of provisions of law designed to enforce the Constitutional authority of Congress over funding the government. The ADA has a number of restrictions, including the following laws prohibiting obligations and expenditures in excess of an appropriation or before an appropriation is made.

- An employee of the United States government may not authorize a payment or an obligation exceeding an apportionment or amount permitted by regulation of administrative control of funds. (Section 1517, Title 31, United States Code)
- An employee of the United States government may not authorize a payment or an obligation exceeding an amount available in an appropriation...before an appropriation is made. (Section 1341, Title 31, United States Code)

Potential ADA violations must be investigated, in accordance with DoD FMR, volume 14. If an ADA violation is suspected, a preliminary review must be completed by the agency. Further, if the preliminary review concludes that an ADA violation likely occurred, a formal investigation must also be completed. The responsible Military Department must report the results of the formal investigation to the USD(C)/CFO, which then reports all the relevant facts and actions for actual ADA violations to the President and Congress in accordance with Section 1351, Title 31, United States Code.

Funds Control Annual Report

DoD FMR, volume 14, chapter 1, paragraph 010211, states that each DoD Component must conduct an annual evaluation of its overall administrative funds control processes and the processing of ADA violations.

The evaluation must include:

- descriptions of improvements of the effectiveness of internal controls over appropriations and funds,
- a status report of the number of key fund control personnel identified and trained,
- descriptions of improvements in compliance with the ADA, and
- the identification of lessons learned from the investigation of ADA violations and implementation of appropriate corrective actions to preclude the reoccurrence of ADA violations.

Universe of MILPERS ADA Violations

Over the past 10 years, there were nine closed ADA violation cases involving the MILPERS accounts. Table 1 lists the nine MILPERS ADA cases, valued at \$541.9 million, reported in the last 10 years.

Table 1. MILPERS ADA Violations

Military Department	Case Number	Fiscal Year(s) of Violation	Dollar Value	Case Closed
Navy	03-01	2002	\$21,800,000	August 2005
Army	04-07	1995-1997 *	521,790	April 2007
Army	04-12	2004	30,000	April 2007
Army	05-03	2001	25,000,743	August 2007
Army	06-09	2005	59,046,000	September 2007
Air Force	09-03	2005	87,535,000	December 2010
Army	10-02	2008	155,000,000	June 2012
Navy	10-03	2008	183,241,112	March 2011
Air Force	10-06	2009	9,729,552	February 2012
Total			\$541,904,197	

*Although the formal case for this MILPERS ADA violation was opened in December 2002, the events that generated the case actually occurred in FYs 1995 through 1997.

See Appendix C for a summary of each violation. The Army also had one potential MILPERS ADA violation under formal investigation. As of September 24, 2012, Army Comptroller personnel were preparing the formal report for Army Case 11-07. This was a potential ADA violation in the FY 2005 MILPERS, Army appropriation. The estimated dollar value of the potential violation is \$130,280,000.

Table 2 identifies the impact of the 2 percent proposed authority for each of the Military Departments for the past 5 fiscal years. This authority would significantly exceed the financial impact for each of the ADA violations as listed in Table 1. For example, the

Air Force violation in FY 2009 was \$9.7 million; however, 2 percent of the Air Force appropriations for FY 2009 would have been \$616.6 million, which is significantly greater than the dollar value of the ADA violation.

Table 2. 2 Percent of Annual MILPERS Appropriation (in millions)

Military Service*	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Army	\$768.7	\$1,100.7	\$1,217.0	\$1,278.7	\$1,309.5
Navy	414.9	521.5	551.2	572.5	584.2
Air Force	479.3	590.8	616.6	648.0	674.1
Marine Corps	171.8	254.1	278.6	284.5	292.0
Total	\$1,834.7	\$2,467.1	\$2,663.4	\$2,783.7	\$2,859.8

*Appropriations for each Military Service are combined in this table. Totals for the Army and Air Force include Active, Reserve, and National Guard appropriated amounts. Totals for Navy and Marine Corps include Active and Reserve appropriated amounts.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the reporting of unimplemented corrective actions for MILPERS ADA violations and procedures for maintaining records documenting corrective actions taken. In addition, Army and Navy personnel did not annually assess the adequacy of control procedures established for managing CMAs. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army, Department of the Navy, and Department of the Air Force.

Finding A. DoD Was Generally Effective In Implementing and Sustaining ADA Violation Corrective Actions

The Military Departments were generally effective in implementing and sustaining the corrective actions for nine MILPERS ADA violations, totaling \$541.9 million, reported since October 1, 2002. Specifically, USD(C)/CFO and the Military Department's Assistant Secretaries for Financial Management and Comptroller (Comptroller) personnel² provided adequate support to substantiate that 36 of 44 corrective actions were implemented and sustained. However, in four of the nine MILPERS ADA violation cases, Army and Navy Comptroller personnel could not demonstrate that they had completed and sustained eight corrective actions, which included three corrective actions still in process. This occurred because USD(C)/CFO and Military Department Comptroller personnel had not established sufficient controls to ensure that the required corrective actions in the MILPERS ADA violation reports were properly implemented, sustained, and documented. The absence of a method for tracking prior corrective actions made it difficult for the Military Department Comptroller personnel to provide evidence that they had taken and sustained all of the corrective actions. As a result, DoD remained vulnerable to future MILPERS ADA violations.

General Categories for Numerous Causes of Violations

The ADA violation reports documenting the formal ADA investigations identified numerous causes for the nine MILPERS ADA violations, but there were several common reasons for the violations. We identified three general categories of causes. As shown in Table 3, most ADA violations resulted from a failure to follow established procedures or internal control weaknesses. Inadequate cost estimating was a factor in only three of the nine MILPERS ADA violations.

²Within the Air Force, the Assistant Secretary for Financial Management and Comptroller has control over the budget, cost, manpower, and financial operations functions. However, within the Army, the Assistant Secretary for Financial Management and Comptroller only has control over the budget, cost, and financial operations functions. The manpower function is controlled by the Army's Deputy Chief of Staff, G-1. Similarly, within the Navy, the Assistant Secretary for Financial Management and Comptroller only has control over the budget, cost, and financial operations functions. The manpower function is controlled by the Assistant Secretary of the Navy (Manpower and Reserve Affairs). Unless otherwise noted, reference to the Assistant Secretaries for Financial Management and Comptroller personnel includes all MILPERS functions.

Table 3. Categories of MILPERS ADA Violations

Military Department	Case Number	Internal Control Weakness	Inadequate Cost Estimating	Failure to Follow Established Procedures
Navy	03-01	X	X	X
Army	04-07	X		X
Army	04-12			X
Army	05-03			X
Army	06-09		X	X
Air Force	09-03	X		X
Army	10-02	X	X	
Navy	10-03	X		
Air Force	10-06	X		X

The MILPERS ADA violation reports also identified the corrective actions in response to the causes for the individual violations. DoD FMR, volume 14, chapter 7, “Antideficiency Act Report,” November 2010, requires these reports to identify the specific actions to be completed to prevent similar violations in the future. The corrective actions are to be detailed enough in order to evaluate the adequacy of the corrective actions required by the ADA investigation. This includes improvement of overall and specific policies, procedures, and processes used; newly established or improved internal procedures; and assurances that a similar violation would not occur in the future. Enclosures to ADA violation reports must show documentation of corrective actions taken or to be completed.

Military Departments Implemented and Sustained Most Corrective Actions

Military Departments implemented and sustained most of the corrective actions identified in the nine MILPERS ADA violation reports issued since October 1, 2002. Based on information in the ADA violation reports, additional documents provided to us, and our discussions with Military Department personnel, we determined whether the corrective actions identified in the reports had been completed and whether there was evidence indicating that the corrective actions were still in place. Table 4 identifies the status of all corrective actions taken on the nine MILPERS ADA violations.

Military Departments implemented and sustained most of the corrective actions identified in the nine MILPERS ADA violation reports issued since October 1, 2002.

Table 4. Status of MILPERS ADA Violation Corrective Actions

Military Department	Case Number	Total Corrective Actions	Corrective Actions Completed and Sustained	Evidence of Corrective Action Was Inadequate	Corrective Actions Still In Process
Navy	03-01	9	9	0	0
Army	04-07	5	3	2	0
Army	04-12	1	1	0	0
Army	05-03	3	2	1	0
Army	06-09	4	4	0	0
Air Force	09-03	5	5	0	0
Army	10-02	12	8	2	2
Navy	10-03	4	3	0	1
Air Force	10-06	1	1	0	0
Total		44	36	5	3

Although many corrective actions had been taken by Military Department personnel in response to the MILPERS ADA violations, evidence did not exist to substantiate that they had taken or sustained corrective actions related to four of the nine MILPERS ADA violations.

Corrective Actions Completed and Sustained

Military Department Comptroller personnel fully completed and sustained the corrective actions identified in ADA violation reports for five of the nine MILPERS ADA violation cases. For example, Air Force Case 09-03 had five corrective actions listed in the report. Air Force Comptroller personnel provided supporting documentation showing that they had completed and sustained all the corrective actions listed in the ADA violation report. To illustrate, the inexperience of the staff was one of the causes contributing to the ADA violation and they did not understand ADA implications of procedures used to obligate PCS moves. The corrective action identified required additional training for staff who managed the unique aspects of the MILPERS processes. Air Force Comptroller personnel provided descriptions of the additional required training courses, as well as evidence that this training had been implemented and was on going.

Some Corrective Actions Evidence Was Inadequate

Army Comptroller personnel could not demonstrate that they properly implemented or sustained 5 of 20 corrective actions identified in three ADA violation reports. For example, the ADA violation report for Army Case 05-03 indicated that the Army National Guard Comptroller Personnel responsible for calculating Military Retirement Trust Fund contributions had not received training on how to make the calculations. Army National Guard Comptroller personnel provided us documentation that indicated that training had been provided to individuals responsible for calculating contributions to the Military Retirement Trust Fund in 2007. However, they could not demonstrate the current personnel responsible for calculating contributions were trained after 2007.

Army Comptroller personnel could not demonstrate that they properly implemented or sustained 5 of 20 corrective actions identified in three ADA violation reports.

Corrective Actions Still In Process

Three corrective actions related to two MILPERS ADA violations are still in process. For example, in Navy Case 10-03, one of the corrective actions was the development and implementation of a future system that met the requirements outlined for the Defense Integrated Military Human Resources System. With the cancelation of the Defense Integrated Military Human Resources System in February 2010, each Department was required to develop its own integrated personnel and military pay enterprise system solution. The Integrated Personnel and Pay System-Navy is intended to be the Navy's integrated pay and personnel system but it is not scheduled for completion until FY 2016.

In addition, Army Case 10-02 identified an internal control weakness in the management of its Active MILPERS account. As a result, Army personnel created a Lean Six Sigma project to help correct the internal control weakness by identifying a better way to record PCS moves. There are two on going tasks for this Lean Six Sigma project which, according to Army Comptroller personnel, will not be completed until March 2014. Until all identified corrective actions are taken, DoD remains vulnerable to future MILPERS ADA violations.

Reducing Vulnerability to Future ADA Violations Requires Follow-up and Documentation of Corrective Actions

DoD had not established sufficient controls to ensure that the corrective actions identified in ADA violation reports were implemented, sustained, and documented. DoD FMR,

None of the evaluation reports identified the status of corrective actions in previous MILPERS ADA violation reports.

volume 14, chapter 1, requires that each DoD Component annually conduct an evaluation of its overall administrative funds control processes. The evaluation must identify lessons learned for the investigation of ADA violations and address actions to implement appropriate corrective actions to

preclude the reoccurrence of ADA violations. Each of the Military Departments prepared the reports for FY 2012. Although the Military Departments reported on the corrective actions taken in regards to new ADA violations, none of the evaluation reports identified the status of corrective actions in previous MILPERS ADA violation reports. The DoD FMR did not require them to report in subsequent reports on the status of the unimplemented corrective actions as a part of the evaluation. In addition, the Military Departments' Comptroller personnel did not maintain or track records to prove that they had taken corrective actions in response to MILPERS ADA violation reports. None of the Military Departments had a centralized location for information related to prior ADA investigations and there were often numerous points of contact for a single case. One manager who worked with ADA investigations told us that she had never been asked to follow up on the status of a completed investigation. By comparison, she stated that recommendations from audit reports were centrally monitored and tracked.

DoD FMR, volume 14, chapter 1, also requires that each DoD Component annually report on its annual review that shows management's assessment of the adequacy of control procedures established in each of its CMAs to prevent ADA violations and justify the continued use of the CMA as a fund controls approach. Only the Air Force prepared these annual reports. (See Finding B for more details.)

DoD should strengthen the reporting requirements in DoD FMR, volume 14, chapter 1, and require the Military Departments to monitor the status of unimplemented corrective actions and report on the status of unimplemented corrective actions in the annual report evaluating funds control processes until completion to ensure that they properly implemented and sustained all corrective actions taken to correct ADA violations. In addition, the Military Departments should establish procedures to maintain records documenting corrective actions taken for each ADA violation. Consistent with National Archives and Records Administration records retention guidance, records should be maintained for at least 6 years and 3 months after either the date of the ADA violation report to the President, or the date of the last implemented corrective action for an ADA violation, whichever is the later date.

Completing Remaining Corrective Actions Should Take Priority Over Seeking Congressional Action

DoD officials have given much attention to managing MILPERS accounts. In addition to the evidence provided to support corrective actions taken on the nine MILPERS ADA violations, Military Department personnel informed us of other actions that had been taken or were planned to better manage the MILPERS accounts. For example, the Military Departments are developing integrated personnel and pay systems, which will be key to tracking and reporting MILPERS expenditures in a more timely manner and to achieving better control over the MILPERS accounts after they are implemented.³

The last MILPERS ADA violation reported by the Army and Navy involved their FY 2008 MILPERS accounts, and the last MILPERS ADA violation reported by the Air Force involved the FY 2009 Air National Guard account. However, as a result of the inconsistent oversight of the implementation and sustainment of the corrective actions identified in previous MILPERS ADA violations, DoD remained vulnerable to future ADA violations. Completion of the remaining corrective actions is needed before seeking additional flexibility in managing the MILPERS accounts.

Management Comments on the Finding and Our Response

Department of the Army Comments

The Deputy Assistant Secretary of the Army (Financial Operations) provided comments on the finding discussion. He stated that the Army had only one outstanding corrective action associated with PCS moves. He referenced a PCS Lean Six Sigma project that will resolve three material weaknesses for the Army that are common across DoD. In addition, the Deputy Assistant Secretary provided additional comments regarding the corrective actions for Army Cases 05-03 and 10-02, for which we reported that we did not receive adequate supporting documentation. For Army Case 05-03, he stated that the Army National Guard did not provide additional training because of a change to the process after FY 2007 in the calculations of the Military Retirement Trust Fund contributions. Consequently, there was no ADA risk in this area because payments are made at the start of each fiscal year based on the budgeted amount. For Army Case 10-02, he stated that the Funds Control Module was no longer a material part of managing the MILPERS, Army appropriation.

The Deputy Assistant Secretary also stated that the Army strongly believes that automation is the key to improving controls in a meaningful way. He stated that annually assessing internal controls is an important management function that provides continued

³The Army, Navy, and Air Force are developing Enterprise Resource Planning systems to replace the Defense Integrated Military Human Resources System that was initiated in 1998 and discontinued in 2010. The replacement Enterprise Resource Planning systems are not expected to be fully deployed until 2017.

benefit; however, the challenges that MILPERS appropriation managers face fundamentally revolve around system shortcomings rather than people or process challenges.

Our Response

In our review of the ADA violation reports for the nine MILPERS violations, we considered each corrective action listed by the Investigating Officers as a separate corrective action. The ADA violation report for Army Case 10-02 listed two separate corrective actions related to the PCS Lean Six Sigma project and, as a result, we treated each corrective action separately. We also contacted and met with Army personnel on several occasions to determine the status of corrective actions for the ADA violations, but they did not provide the supporting documentation that we requested related to use of the Funds Control Module.

For Army Case 05-03, the corrective action stated that comprehensive training was provided to the three individuals responsible for calculating the Military Retirement Trust Fund contributions, but we did not receive supporting documents to substantiate that the training had been conducted after FY 2007. During the audit, the Army did not provide us any information stating that the change in process as described in the Army comments eliminated the need for this training. We agree that the change in business process would minimize the risk of ADA violations and reduce the need for comprehensive training. However, the Army did not provide supportable evidence of the process change or substantiate that any training had been conducted after FY 2007. The challenge of receiving the requested corrective action information for these two ADA violations supports the need for the Military Departments to establish procedures to maintain records documenting the corrective actions for each ADA violation (Recommendation A.1). The circumstances that resulted in changes in operations affecting MILPERS funds and internal control processes should be identified and assessed in annual evaluations.

We agree that the Army's continued progress toward automation of its financial processes is key to improving controls in a meaningful way and to the Army's advancement toward full auditability of its financial statements. We acknowledge in the finding that the Military Departments are developing integrated personnel and pay systems, which will be key to tracking and reporting MILPERS expenditures in a more timely manner and to achieving better control over the MILPERS accounts after they are implemented. We acknowledge that there are other system challenges, that once overcome, will improve management of the MILPERS appropriations.

Department of the Navy Comments

The Assistant Secretary of the Navy (Financial Management and Comptroller) provided comments on the finding discussion. She stated that the Navy remained concerned about the risk of future ADA violations in the MILPERS accounts. The Assistant Secretary stated that the Navy will implement the best estimating techniques and strong internal controls, but these actions may not stop an ADA violation in a MILPERS account because of the unique nature of the account. She stated that the MILPERS accounts do

not have the same execution flexibility as other accounts, which contributes to the high risk of ADA violations. Further, she stated that the report should focus on these concerns and provide viable alternatives to Congress to reduce the risk of future MILPERS ADA violations.

Our Response

We recognize that the MILPERS appropriations do not have the same operational flexibility as most DoD appropriations. However, reducing the risk of future ADA violations in the MILPERS appropriations depends principally on implementing strong automated procedures and controls over establishing financial obligations as well as the prompt and accurate recording and reporting of execution information. More consistent oversight of the implementation and sustainment of the corrective actions identified in previous MILPERS ADA violations would reduce DoD vulnerability to future ADA violations. Senior DoD officials are also responsible for conducting systematic and meaningful evaluations of their administrative funds control processes. We considered the DoD proposal that requested the authority to extend 2 percent of each MILPERS appropriation for funds obligation for an additional year, but we did not attempt to identify possible alternatives to this proposal that Congress could consider to further reduce the risk of future MILPERS ADA violations.

Recommendations, Management Comments, and Our Response

A.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, revise DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 14, chapter 1, January 2009, to require the Military Departments to monitor the status of unimplemented corrective actions and report on the status of unimplemented corrective actions in the annual report evaluating funds control processes to ensure that they properly implemented and sustained all corrective actions taken to correct ADA violations.

USD(C)/CFO Comments

The Deputy Chief Financial Officer, responding on behalf of the USD(C)/CFO, agreed and stated that DoD FMR, volume 14, chapter 1, would be revised in the next scheduled update to include a requirement for the Military Departments to monitor the status of unimplemented corrective actions and report the status as a part of the annual review of funds and internal control processes.

Our Response

Comments from the Deputy Chief Financial Officer were responsive, and the actions met the intent of the recommendation.

A.2. We recommend that the Assistant Secretaries of the Army, Navy, and Air Force (Financial Management and Comptroller) establish procedures to maintain records documenting corrective actions taken for each ADA violation for at least

6 years and 3 months subsequent to either the date of the ADA report to the President or the date of the last implemented corrective action for an ADA violation, whichever is the later date.

Department of the Army Comments

The Deputy Assistant Secretary of the Army (Financial Operations), responding on behalf of the Assistant Secretary of the Army (Financial Management and Comptroller), agreed and stated that, effective immediately, the Army would begin tracking and sustaining corrective actions for all open formal ADA investigations that will close in FY 2013 and beyond. He also stated that fund holders at activities where the ADA violations occurred will be responsible for providing recurring status updates that will be reported to the office of the USD(C)/CFO.

Our Response

Comments from the Deputy Assistant Secretary of the Army (Financial Operations) were partially responsive. The comments did not address whether the Army would establish procedures to maintain records documenting corrective actions taken for each ADA violation. We request that the Army provide comments on the final report by December 31, 2012.

Department of the Navy Comments

The Assistant Secretary of the Navy (Financial Management and Comptroller) agreed and stated that the Navy would retain records documenting actions taken for each ADA violation in accordance with National Archives and Records Administration records retention guidance.

Our Response

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) were responsive, and the actions met the intent of the recommendation.

Department of the Air Force Comments

The Deputy Assistant Secretary of the Air Force Financial Operations (Financial Management), responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed and stated that her office would track corrective actions for reportable ADA violations and work with the office of the USD(C)/CFO and the other Services to establish procedures and a standard format to report on corrective actions.

Our Response

The comments from the Deputy Assistant Secretary of the Air Force Financial Operations (Financial Management) were partially responsive. The comments did not address whether the Air Force would establish procedures to maintain records documenting corrective actions taken for each ADA violation. We request that the Air Force provide comments on the final report by December 31, 2012.

Finding B. Army and Navy Did Not Complete Annual Reviews of the Military Personnel Accounts

The Army and Navy Comptroller personnel did not annually assess the adequacy of control procedures established for managing their CMAs to prevent ADA violations and justify the continued use of the CMAs.⁴ Army Comptroller personnel did not perform these reviews for their MILPERS accounts and other CMAs because they failed to recognize the requirement that had existed since at least 1995. In June 2012, Army personnel identified the Army's CMAs, including their MILPERS accounts, and initiated action to complete a review of control procedures. Navy Comptroller personnel did not complete the annual review because they did not believe that the MILPERS accounts were covered by the DoD FMR requirement. As a result, the Army and Navy had limited assurance that controls would prevent future MILPERS ADA violations. In addition, they have not justified the continued operation of all MILPERS accounts as CMAs.

Required Reviews of Centrally Managed Allotments

DoD FMR, volume 14, chapter 1, states that the head of an operating agency may establish CMAs, but these allotments must be established only when it is impractical to administer decentralized allotments under normal operating procedures. Before approval, a specific determination must be made that adequate controls have been established to avoid over-obligating or over expending the allotment. The DoD FMR requires an annual review that both assesses the adequacy of control procedures established in the CMA to prevent ADA violations as well as to justifying the continued use of the CMA as a funds control approach. The DoD FMR also requires that the Military Department's internal audit organization evaluate the adequacy of control procedures established to prevent ADA violations and recommend whether or not continued use of the CMAs is justified.

The Military Departments managed the MILPERS accounts for Active component MILPERS costs and other centrally funded types of expenses as CMAs. The Military Departments managed MILPERS accounts related to Reserve and National Guard operations more on a decentralized basis. Table 5 shows the CMA status for each of the 10 MILPERS appropriations, according to the Military Departments.

⁴In addition to the MILPERS accounts, the Air Force centrally managed its foreign currency accounts. The Army also centrally managed foreign currency accounts as well as second destination transportation charges.

Table 5. CMA Status of the Military Service Components

Military Service	Component	CMA
Air Force	Active	Yes
Air Force	Reserve	No
Air Force	Air National Guard	No
Army	Active	Yes
Army	Reserve	No
Army	National Guard	Partial ¹
Navy	Active	No ²
Navy	Reserve	No
Marine Corps	Active	No ²
Marine Corps	Reserve	No

¹The Army National Guard has both CMA and decentralized funding. Most National Guard funds are part of the CMA but a portion is distributed to the United States Property and Fiscal Officer (USPFO). Each State's USPFO is the official with pecuniary liability for all Federal property and funding in the possession of the National Guard with which the USPFO is serving.

²Navy Comptroller personnel did not believe that their MILPERS accounts (including the Marine Corps) were CMAs.

Army and Navy Did Not Comply with the Annual CMA Review Requirement

Prior to FY 2012, the Army had not completed annual CMA reviews. The ADA violation report for Army Case 10-02 identified weaknesses in managing the MILPERS account as a CMA. Specifically, the report stated that the Office of the Deputy Chief of Staff, G-1, did not take steps to properly establish the MILPERS account as a CMA as required by regulation and did not comply with the annual requirement to prescribe and document an adequate system of financial and nonfinancial controls. In response to the findings in the ADA violation report for Army Case 10-02, the Assistant Secretary of the Army (Financial Management and Comptroller) issued a memorandum dated January 18, 2012, requiring that the Army comply with the annual DoD FMR requirement. As of October 5, 2012, Army personnel had identified all of the Army's CMAs, including the MILPERS accounts, and were preparing the CMA packages to be provided to U.S. Army Audit Agency for evaluation, as required by the DoD FMR.

Navy personnel did not complete the annual reviews for the Navy and Marine Corps MILPERS accounts, stating that the DoD FMR requirement specifically required a review of a CMA, not a "centrally managed account," as the Navy has defined its MILPERS account. DoD FMR, volume 14, chapter 1, states that allocations, suballocations, or portions of an allocation, that are not required to be divided further may be treated and recorded as allotments. Office of the USD(C)/CFO personnel stated that the intent of the DoD FMR requirement was for all the Military Departments to complete the annual reviews for all CMAs including MILPERS accounts. Although we

do not agree with the Navy interpretation of DoD FMR, volume 14, chapter 1, the DoD FMR needs clarification to better explain the applicability of the guidance to MILPERS accounts.

The Air Force adequately completed the annual CMA review requirement for the periods we reviewed, FYs 2010 through 2012. In its review for FY 2012, the Air Force concluded that the justification package for the MILPERS account demonstrated clearly that the fund control and management procedures established to administer its CMA remained intact and were adequate to preclude overobligation and over expenditure of the CMA. Air Force Audit Agency agreed with this assessment.

The USD(C)/CFO should revise the DoD FMR to clarify the definition of a CMA to ensure that each Military Department completes the annual report for all CMAs, including MILPERS accounts. Navy personnel should identify all of the Navy's CMAs and commence performing and documenting annual reviews of its CMAs, including the Navy and Marine Corps MILPERS accounts. The reviews should assess the adequacy of control procedures established in the CMAs to prevent ADA violations and justify the continued use of the accounts as a funds control procedure.

DoD Financial Management Regulation Did Not Require Reporting to USD(C)/CFO

The DoD FMR requires that the head of each operating agency complete the annual CMA report, but does not require providing these reports to the office of the USD(C)/CFO. If a Military Department does not comply with the requirement to complete this report, it may have increased risk of future ADA violations as a result of weak controls within the CMA.

The USD(C)/CFO needs assurance that all the Military Departments have established required controls within the MILPERS account CMAs.

The USD(C)/CFO needs assurance that all the Military Departments have established required controls within the MILPERS account CMAs and that the justification for continuing the CMA is reasonable.

The USD(C)/CFO should establish procedures to require that Military Department Comptroller personnel provide his office with written assurance of the completion of the annual review of CMAs, including MILPERS accounts. The report should note any deficiencies or material issues revealed by the review and the results of its evaluation by the Military Department's internal audit organization.

Management Comments on the Finding and Our Response

Department of the Army Comments

The Deputy Assistant Secretary of the Army (Financial Operations) provided comments on the finding discussion. The Deputy Assistant provided information about Army assessments of internal controls for the Army MILPERS appropriations. He stated that appropriation managers had been monitoring internal controls in accordance with Section 3512, Title 31, United States Code, "Executive Agency Accounting and Other Financial Management Reports and Plans;" OMB Circular No. A-123, "Management's Responsibility for Internal Control;" and Army Regulation 11-2, "Managers' Internal Control Program." The Army's annual assessment of the effectiveness of internal controls for both financial and non-financial operations was done as a part of the Annual Statement of Assurance process.

Our Response

We recognize that the annual assessment of the effectiveness of internal controls provides meaningful information about overall operational and financial controls. However, the Annual Statement of Assurance does not provide the more detailed and specific analysis of controls that would be achieved in the annual review of centrally managed allotments.

Recommendations, Management Comments, and Our Response

B.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, revise DoD Regulation 7000.14-R, "DoD Financial Management Regulation" (DoD FMR), volume 14, chapter 1, to:

a. clarify the definition of a centrally managed allotment as it relates to Military Personnel accounts; and

b. establish procedures to require that each Assistant Secretary for Financial Management and Comptroller provides his office with written assurance of completion of the annual review of centrally managed allotments, including the Military Personnel appropriations.

USD(C)/CFO Comments

The Deputy Chief Financial Officer, responding on behalf of the USD(C)/CFO, agreed with the recommendation and stated that DoD FMR, volume 14, chapter 1, would be revised in the next scheduled update to clarify the definition of a centrally managed allotment, which includes allotments and allocations, and require the Military Departments to report to the Assistant Secretary of the Military Departments (Financial Management and Comptroller) upon completion of the review.

Our Response

Comments from the Deputy Chief Financial Officer were partially responsive. In response to Recommendation B.1.b, he stated that each Assistant Secretary of a Military Department (Financial Management and Comptroller) should be notified when the annual reviews were completed. We recommended that the USD(C)/CFO be notified so that his office would be aware that each Military Department completed the annual review of centrally managed allotments. We request that the USD(C)/CFO provide comments on the final report describing plans for updating the DoD FMR that would require that each Assistant Secretary for Financial Management and Comptroller provide the office of the USD(C)/CFO with written assurance of completion of the annual review of centrally managed allotments.

B.2. We recommend that the Assistant Secretary of the Navy (Financial Management and Comptroller) identify all of the Navy's centrally managed allotments and commence performing and documenting annual reviews of its centrally managed allotments, including the Navy and Marine Corps Military Personnel accounts.

Department of the Navy Comments

The Assistant Secretary of the Navy (Financial Management and Comptroller) agreed and stated that the Navy would comply with the direction of the office of the USD(C)/CFO upon implementation of Recommendation B.1.

Our Response

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) were responsive. In response to Recommendation B.1, the Deputy Chief Financial Officer stated that the definition of a centrally managed account will be clarified and that the Military Departments will be required to report the results upon completion of their annual review of centrally managed accounts, which includes allotments and allocations. Regardless of when the DoD FMR is changed, the Navy should begin its review of internal controls and substantiate the continued operation of each of its centrally managed allotments, including the MILPERS appropriations. The Navy actions met the intent of the recommendations.

Appendix A. Scope and Methodology

We conducted this performance audit from March 2012 through November 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We obtained the ADA violation reports for the nine MILPERS ADA violations that the Military Departments reported in FYs 2003 through 2012. We reviewed the documented causes of each violation for completed investigations and determined whether DoD implemented and sustained the required corrective actions that resulted from the causes of the violations. We determined whether the annual reports of CMA reviews and evaluations of administrative funds controls processes were completed in accordance with DoD FMR, volume 14, chapter 1. We met with the House Committee on Appropriations, Subcommittee on Defense and the Senate Committee on Appropriations, Subcommittee on Defense to discuss our audit approach and provide a status update. We also held meetings with personnel from the USD(C)/CFO and the offices of the Assistant Secretaries of the Army, Navy, and Air Force to obtain further details about the corrective actions that had been taken in response to the ADA violation reports.

Use of Computer-Processed Data

We did not rely on computer-processed data as a basis for developing our findings, conclusions, or recommendations.

Use of Technical Assistance

We did not use technical assistance in conducting this audit.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DOD IG), U.S. Army Audit Agency, Naval Audit Agency, and Air Force Audit Agency have issued 16 reports discussing MILPERS accounts. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DOD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at <https://www.aaa.army.mil/>.

Naval Audit Service reports are not available over the Internet.

Air Force Audit Agency reports can be accessed from .mil domains over the Internet at <https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-AD-01-41> by those with Common Access Cards.

GAO

GAO Report No. GAO-12-406, “The Army Faces Significant Challenges in Achieving Audit Readiness for Its Military Pay,” March 2012

GAO Report No. GAO-11-950T, “Weaknesses in Controls Over the Use of Public Funds and Related Improper Payments,” September 22, 2011

GAO Memo No. B-318724, “Department of the Army-The Fiscal Year 2008 Military Personnel, Army Appropriation and the Antideficiency Act,” June 22, 2010

GAO Report No. GAO-08-1063, “Improvements are Needed in Antideficiency Act Controls and Investigations,” September 2008

Army

U.S. Army Audit Agency Report No. A-2012-0079-FMF, “Controls Over the Unemployment Compensation Program for Ex-Service members,” March 16, 2012

U.S. Army Audit Agency Report No. A-2010-0143-FFM, “Follow-up Audit of FY 05 Subsistence Charges,” July 29, 2010

U.S. Army Audit Agency Report No. A-2010-0071-FFP, “Follow-up Audit of Controls Over Leave, Overtime, and Compensatory Time by Army Commands in Hawaii,” May 6, 2010

U.S. Army Audit Agency Report No. A-2009-0171-FFF, “Processes to Pay and Recoup Enlistment Bonuses for the U.S. Army Reserves,” September 30, 2009

U.S. Army Audit Agency Report No. A-2009-0118-FFF, "Processes to Pay and Recoup Enlistment Bonuses for the Active Army, ODCS, G-1," May 19, 2009

U.S. Army Audit Agency Report No. A-2008-0108-FFM, "Miscellaneous Credits for Reserve Component Pay," April 29, 2008

Navy

Naval Audit Service Report No. 2012-0024, "Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations; Personalized Recruiting for Immediate and Delayed Enlistment Modernization," March 6, 2012

Air Force

U.S. Air Force Audit Agency Report No. F2012-0002-FD4000, "Military Personnel Appropriation Man-Days," November 22, 2011

U.S. Air Force Audit Agency Report No. F2011-0012-FD4000, "Combat Pay and Tax Exclusion," August 12, 2011

U.S. Air Force Audit Agency Report No. F2010-0011-FB1000, "Selected Aspects of the Military Personnel Appropriation Centrally Managed Allotment," September 7, 2010

U.S. Air Force Audit Agency Report No. F2010-0010-FD4000, "Basic Allowance For Subsistence/Essential Station Messing Entitlements," September 1, 2010

U.S. Air Force Audit Agency Report No. F2010-0007-FD4000, "Military Leave Program," July 1, 2010

Appendix C. Antideficiency Act Summaries

Navy Case 03-01

Violation	This violation occurred because the Marine Corps overdisbursed the MILPERS Marine Corps appropriation during FY 2002. The Marine Corps was authorized to mobilize up to 7,500 reservists after the terrorist attacks of September 11, 2001, but because of complexities associated with the increased workload and no accurate process for tracing the costs, the Marine Corps overdisbursed its MILPERS appropriation. The violation totaled \$21,800,000 and resulted in a violation of Title 31, United States Code, Section 1341(a).
Causes	<ul style="list-style-type: none"> • The September 11 event caused strain on the appropriation due to a marked increase in workload and complexity when the Marine Corps was ordered to mobilize a large number of Marine Reservists. • The Deputy Commandant for Manpower and Reserve Affairs staff and financial staff had difficulty in reaching an agreement on the number of reservists to mobilize, how they were to be used, and the effect on the MILPERS account. • The Marine Corps' established procedures were not followed. • The inability to determine what data was reflected in the obligation plans and expenditure data contributed to the problems in reconciling the MILPERS account. • A pay grade matrix for the mobilized reserve strength was not provided until August 2002, making it impossible to verify the accuracy of the Marine Corps Total Force System data.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • The Marine Corps established a schedule for reconciling the Reserve Order Writing System. • Deputy Commandant for Manpower and Reserve Affairs issues daily reports on the number of Marines mobilized and on stop-loss. • The Marine Corps combined active and mobilized reservists in manpower end-strength and financial phasing plans. • Quarterly funds status briefings are prepared and presented at the three star level with Deputy Commandant for Programs and Resources and Deputy Commandant for Manpower and Reserve Affairs. The Assistant Deputy Commandant for Programs and Resources is briefed weekly or as required. • Assigned two Presidential Management Fellows and one Navy Financial Management Intern to the Manpower Personnel Branch. • The Marine Corps assigned a junior officer (major) with a financial management background and a strong field disbursing experience to develop and implement improved automated system reporting procedures. • The Marine Corps established a budget execution analyst position. • The Marine Corps developed automated reports from the Marine Corps Total Force System. • Defense Finance and Accounting Service Kansas City developed an automated interface between the Marine Corps Total Force System and Standard Accounting, Budgeting, and Reporting System.

Navy Case 03-01 (continued)

Evidence of Corrective Action was Inadequate	None
Corrective Actions Still In Process	None

Army Case 04-07

Violation	This violation occurred in FYs 1995 through 1997 in the National Guard, Army appropriations and totaled \$521,790.86. The U.S. Virgin Islands Army National Guard performed numerous missions during hurricane support and relief efforts, but did not bill the Territory of the Virgin Islands to obtain reimbursement. The Territory fully reimbursed these expenditures in FY 2006; however, the reimbursement was not credited to the affected appropriations because the appropriations had canceled. This situation resulted in a violation of Title 31, United States Code, Section 1341(a).
Cause	The National Guard Bureau concluded there was a lack of proper documentation and believed the U.S. Virgin Islands Army National Guard should be held accountable for the misuse of Federal funds.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • The Territory of the Virgin Islands provided the reimbursement. • The National Guard Bureau is conducting normal inspections as scheduled by the appropriate directorates. • The National Guard Bureau made changes to the Safety Aviation Program, and a new Safety Aviation Officer has been assigned to ensure all flights and activities are conducted according to Army Regulation and Standard Operating Procedures.
Evidence of Corrective Action was Inadequate	<ul style="list-style-type: none"> • Procedures for the loan of Federal materiel are being completed in accordance with the Army Regulation 700-131. <i>Army National Guard Comptroller personnel did not provide information to show the corrective action occurred.*</i> • Proper use of the armories is being monitored. <i>Although the Army National Guard Comptroller personnel provided information showing personnel were trained, they could not show that armories were monitored.*</i>
Corrective Actions Still In Process	None

*Our assessment of the corrective action is indicated by italics.

Army Case 04-12

Violation	This violation occurred at the Office of the Chief, Army Reserve, when a memorandum was published authorizing \$5,000 for 3-year reenlistment bonuses in FY 2004. These bonuses were in excess of the statutory limit of \$2,500 contained in Title 37, United States Code, Section 308(b). Twelve soldiers were approved for such bonuses totaling \$60,000, which was \$30,000 more than permitted by statute. This situation resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A).
Cause	The Office of the Chief, Army Reserve, Director, Program Analysis and Evaluation (PA&E), published a memorandum on December 5, 2003, authorizing \$5,000 bonus payments for 3-year reenlistments, at the direction of Chief of Army Reserve (Chief). The Chief was aware that Congress authorized the Active Component a 3-year reenlistment bonus for \$5,000 and believed it also applied to the Reserve, but never requested a written legal opinion to support his interpretation.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> Twelve soldiers who were approved for the bonus had their reenlistment contracts revoked and no funds were disbursed exceeding the \$2,500 limit. To prevent a reoccurrence of the violation, new procedures have been implemented to obtain legal opinions prior to issuing future bonus policy memorandums.
Evidence of Corrective Action was Inadequate	None
Corrective Actions Still In Process	None

Army Case 05-03

Violation	The violation occurred when personnel associated with the Army National Guard Bureau underestimated the required contributions to the Military Retirement Trust Fund. This violation, totaling \$25,000,743, occurred in FY 2001. This situation resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A).
Cause	The Army National Guard did not properly calculate Military Retirement Trust Fund contributions because it used monthly contributions rates from FY 2000 rather than from FY 2001.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> Corrected contributions to the retirement trust fund by discontinuing the previous practice. Established formal monthly retired pay accrual standard operating procedures.
Evidence of Corrective Action was Inadequate	<ul style="list-style-type: none"> Provided comprehensive training for calculating the contributions. <i>Army National Guard Comptroller personnel provided information that the training was required as of 2007. However, Army National Guard Comptroller personnel could not support that subsequent training occurred.*</i>
Corrective Actions Still In Process	None

*Our assessment of the corrective action is indicated by italics.

Army Case 06-09

Violation	The violation occurred because Army Reserve Command personnel failed to promptly record and pay valid FY 2005 Reserve Personnel, Army obligations, totaling \$59,046,000. This overobligation resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A).
Causes	<ul style="list-style-type: none"> • There was an increase in Reserve Soldiers drilling, and Office of the Deputy Chief of Staff for Personnel expanded the window of reenlistment eligibility. Consequently, Army Reserve disbursements for incentives increased from \$51.9 million in FY 2004 to \$138.4 million in FY 2005, and Office of the Deputy Chief of Staff for Programs (G-8) became aware of the need to obligate funds sufficient to cover reenlistment bonuses. • One of the staff members was engaged in supporting an Army Regulation investigation and was unable to devote full attention to their primary job. • Another staff member, noticing the increasing costs, transferred as much available Reserve Personnel, Army funding into the areas needed because these payments were going to be needed earlier than the end of year for the Defense Health Care Accrual. • Another individual was instructed to ensure the Defense Health Care Accrual FY 2005 obligations were raised and recorded at the appropriate levels. As a result, a voucher was created making it appear as if the Defense Health Care Accrual was obligated and paid in full even though it was not.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • The Command developed a budget execution analysis modeling system. • Command started processing initial and reenlistment bonus payments to soldiers through an automated process as of August 1, 2006. • In FY 2006, a new law (United States Code, Section 1116) required that Defense Health Care Accrual payments be made at the beginning of the current fiscal year. • The Comptroller; the Plans, Analysis, and Evaluation Chief; and the U.S. Army Reserve Command G-8 now report to the Office Chief Army Reserve, Director of Resource Management.
Evidence of Corrective Action was Inadequate	None
Corrective Actions Still In Process	None

Air Force Case 09-03

Violation	The violation occurred because the Air Force overobligated its FY 2005 MILPERS, Air Force appropriation when a significant number of PCS moves were charged to FY 2006, while the PCS moves were commenced and completed in FY 2005. This resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A) of \$87,535,000.
Cause	There was inadequate manpower and experience within the finance community to manage the PCS budget.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • To correct the identified overobligations, the Air Force has made the required funding corrections to properly record obligations. • The Air Force has implemented several major policy changes that clarify and tighten guidance regarding the recording of PCS obligations. In addition, in the final month of each fiscal year, Air Force Personnel Center now centralizes PCS order authentication and approval, effectively exerting real-time control of orders issuance. • The Office of the Assistant Secretary for Financial Management, Director of Budget, formally established and now chairs the Personnel Budget Review Committee. The Personnel Budget Review Committee provides senior-level oversight that had been absent when the overobligations occurred. • The Air Force has taken action to improve manning. The Air Force Comptroller and the Director of Budget have provided clear direction regarding focus on staffing and management of the MILPERS Section. • The Office of the Assistant Secretary for Financial Management, Director of Budget, has developed a robust training syllabus for new analysts to the division. The syllabus includes specific training required to manage the unique aspects of the MILPERS account.
Evidence of Corrective Action was Inadequate	None
Corrective Actions Still In Process	None

Army Case 10-02

Violation	This violation occurred when the Army's payroll, PCS claims, bonus payments, and subsistence adjustments paid in FY 2009 for its MILPERS, Army appropriation exceeded the amount of funds available by \$155,000,000. This resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A).
Causes	<ul style="list-style-type: none"> • Defense Finance and Accounting Service accounting reports in October 2008 revealed a significant increase in costs associated with PCS claims, pay-related adjustments, and bonus payments; however, funds in the appropriation account were already fully obligated. • The Department of Labor presented a \$55.9 million quarterly invoice for unemployment compensation benefits paid to former Federal employees and former Service members. The Army delayed payment because there were not sufficient funds available. • The cost model did not take into consideration pay-related adjustments and bonus entitlements that were authorized and paid in different years. • There was weak management of the MILPERS, Army appropriation as a CMA. • The subsequent increase in fuel prices and reimbursement at full replacement value for damaged household goods claims could not be predicted when PCS orders were issued.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • Congress approved the Army's request to transfer \$200 million into the MILPERS account. • The Army automated the Cost of War submission. • The cost model was developed to forecast funding requirements based on manpower. • The Army developed the Monthly MILPERS Review. • The Army established a cell at the Army Human Resources Command to validate unemployment compensation claims provided by and reimbursed to the Department of Labor. • The Army began issuing MILPERS funding letters that are co-signed by the Army Budget Office and Office of the Deputy Chief of Staff for Personnel. • The Lean Six Sigma project for Recruiting and Retention focus was on incentive bonuses. • Army completed the initial testing of the Other Contingency Operations Temporary Change of Station budget module and established a Council of Colonels Project Team and a General Officer Steering Committee Governance structure for PCS system development.

Army Case 10-02 (continued)

Evidence of Corrective Action was Inadequate	<ul style="list-style-type: none"> • Subsistence-in-Kind: <ul style="list-style-type: none"> ○ The Army began implementation of the Army Food Management Information System to enable it to record MILPERS obligations at the point of initial requisition. ○ The Army automated the civilian cost transfer estimate for subsistence-in-kind using the Oracle model. <i>The Army did not provide information on how they automated the civilian cost transfer estimate.*</i> ○ The Army expanded its ability to accurately record rations used in theater on its accounting reports. • In FY 2011, the Army began utilization of the Funds Control Module. <i>The Army did not provide information on this corrective action.*</i>
Corrective Actions Still in Process	<ul style="list-style-type: none"> • The Army established a Lean Six Sigma project for PCS to gather information on a process and system to record PCS obligations at the individual level prior to disbursement in order to comply with the DoD policy to obligate PCS orders at the time that they are issued. The Lean Six Sigma team is developing several Courses of Action for presentation to Army staff leadership. • The Army identified the inability to accurately report obligations for the PCS program as a material weakness in its Annual Statement of Assurance. PCS subject matter experts and pilot sites personnel will have completed software development by the end of FY 2012. The Army will also require U.S. Army Audit Agency to validate the audit results for the pilot sites and will begin training and development for additional sites.

*Our assessment of the corrective action is indicated by italics.

Navy Case 10-03

Violation	The violation occurred because the Bureau of Navy Personnel (BUPERS) overobligated the FY 2008 MILPERS, Navy appropriation. The BUPERS Comptroller Office was unable to properly exercise internal control and management oversight of the MILPERS, Navy account, thereby preventing it from accurately assessing the overobligations and requirement for additional funding for FY 2008 MILPERS, Navy account. Although some funding requests and mitigation strategies were executed during the fiscal year, they were insufficient to liquidate all obligations. This resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A).
Causes	Internal control and management oversight deficiencies prevented BUPERS financial managers from making a more accurate assessment of the amount of additional funding needed. The situation was made worse by significant information technology issues (numerous and complex interactions between systems), human resource issues (inadequate training and high turnover), and unique account characteristics (lag time for proper recording of obligations). BUPERS also did not have adequate estimates regarding the number of service members it needed to pay.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • Three transactions were verified by BUPERS and Defense Finance and Accounting Service Cleveland as accounting errors and corrected. An Above Threshold reprogramming action to correct the violation was processed in October 2010. • The Head, Financial Operations, Policy Branch, created the Critical Balance report, which provides a daily status of expenditures of the appropriation. • BUPERS partnered with Defense Finance and Accounting Service Cleveland for ongoing working group sessions to develop agreed-upon procedures internally.
Evidence of Corrective Action was Inadequate	None
Corrective Actions Still In Process	<ul style="list-style-type: none"> • When a future system is implemented that meets the requirements outlined for Defense Integrated Military Human Resources System, BUPERS management will be in a better position to effectively deal with the complexity of the MILPERS, Navy account.

Air Force Case 10-06

Violation	This violation occurred when the Air National Guard expended \$9,729,552 more than was appropriated in FY 2009. A review of the funding documents at the Air National Guard Military Personnel appropriation led to an inaccurate understanding of the total amount of unobligated funds available in the later part of the fiscal year. This resulted in a violation of Title 31, United States Code, Section 1341(a)(1)(A).
Causes	<ul style="list-style-type: none"> • There was a failure in administration of the account. • The workday rate was not recalculated in FY 2009. • The checkbook was not kept in balance and up-to-date. A checkbook is an internal tool to ensure that funding is properly reflected in the man-day metrics and that the remaining man-days accurately reflect remaining appropriations.
Corrective Actions Taken and Sustained	<ul style="list-style-type: none"> • The violation was corrected using available (FY 2010) funds. Specifically, the obligations that were otherwise chargeable to the FY 2009 Air National Guard Military Personnel appropriation were charged to the FY 2010 Air National Guard Military Personnel appropriation in accordance with Section 8054 of Public Law 111-118. • Air National Guard has ensured that the appropriation manager will perform quarterly adjustments to the man-day factor, based upon the number of projected man days (to include a reserve of funds as a buffer).
Evidence of Corrective Action was Inadequate	None
Corrective Actions Still In Process	None

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

NOV 16 2012

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING, DEPARTMENT
OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Comments on the Department of Defense Inspector General Draft Audit Report,
"DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in
Military Personnel Accounts, But Vulnerabilities Remain"

We received the subject November 6, 2012, draft audit report and reviewed your
recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer.
A response that addresses your recommendations is attached.

We appreciate the opportunity to review and comment on the draft audit report. My staff
point of contact is [REDACTED]. She can be reached at [REDACTED] or
[REDACTED].

Mark E. Easton
Deputy Chief Financial Officer

Attachment
As stated



DOD IG DRAFT REPORT – DATED NOVEMBER 6, 2012
DOD IG PROJECT NO. D2012-D000FI-0118.000

“DOD GENERALLY EFFECTIVE AT CORRECTING CAUSES OF ANTIDEFICIENCY
ACT VIOLATIONS IN MILITARY PERSONNEL ACCOUNTS, BUT VULNERABILITIES
REMAIN”

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)
(OUSD(C)) RESPONSE TO THE DOD IG RECOMMENDATION

RECOMMENDATION A.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, revise DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 14, chapter 1, to require the Military Departments to monitor the status of unimplemented corrective actions and report on the status of unimplemented corrective actions in the annual report evaluating funds control processes to ensure that they properly implemented and sustained all corrective actions taken to correct ADA violations.

OUSD(C) RESPONSE: Concur. The DoD FMR Volume 14, Chapter 1 will be revised in the next scheduled update to include a requirement for the Military Departments to monitor the status of unimplemented corrective actions and report the status as part of their annual review of funds and internal control processes.

RECOMMENDATION B.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, revise DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 14, chapter 1, to:

- a. clarify the definition of a centrally managed allotment as it relates to Military Personnel accounts; and
- b. establish procedures to require that each Assistant Secretary for Financial Management and Comptroller provides his office with written assurance of completion of the annual review of centrally managed allotments, including the Military Personnel appropriations.

OUSD(C) RESPONSE: Concur. The DoD FMR Volume 14, Chapter 1 will be revised in the next scheduled update to: 1) clarify the definition of a centrally managed account, which includes allotments and allocations, and 2) include the requirement for the Military Departments to report to the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) upon completion of the annual review of their centrally managed accounts.

Attachment

Department of the Army Comments

Final Report Reference



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

NOV 14 2012

MEMORANDUM THRU Auditor General, Department of the Army, 3101 Park Center Drive,
Alexandria, Virginia 22302-1596

FOR Inspector General, Department of Defense, Financial Management and Reporting, 4800 Mark
Center Drive, Alexandria, Virginia 22350-1500

SUBJECT: Draft Report, DoD Generally Effective at Correcting Causes of Antideficiency Act
Violations in Military Personnel Accounts, but Vulnerabilities Remain (D2012-D000FI-0118.000)

1. We appreciate the opportunity to provide comments on the subject report. We offer several
technical comments:

- Tables on pages 8 and 27 indicate that the Army has two corrective actions ongoing associated with permanent change of station (PCS) moves. In reality, these are the same issue. The Army has one corrective action ongoing -- a PCS Lean Six Sigma project that will resolve three material weaknesses for the Army that are common across the DoD. The corrective actions will address: the inability to record an obligation when orders are issued; the inability to apply a reliable cost estimate to the obligation; and the inability to reconcile disbursements to obligations.
- On page 9 the statement pertaining to failure to sustain training of individuals calculating contributions to the Military Retirement Trust Fund is inaccurate. OSD changed the process whereby payments are made to the trust fund five years ago. Consequently, the earlier training requirement was overtaken by events and did not continue after FY 2007. There is now no ADA risk in this area because payments are made at the start of each fiscal year based on the budgeted amount, which is simply an actuarial rate times the average budgeted strength for a given fiscal year. There is no additional Army National Guard training requirement required to sustain this process change. It is now simple and common to all Services and Components.
- On page 12, please change "MPAs" in the footnote to "MILPERS" to reflect its wider applicability to the U.S. Air Force appropriations.

3. We also wish to make the following qualitative comments that we hope can be incorporated into the final report.

- This audit report should not convey the message that prior to FY 2012, Army conducted no assessment of internal controls for the MPA appropriation. While it is true that prior to FY 2012, Army failed to comply with the regulatory requirements in Volume 14, Chapter 1 of the DoD Financial Management Regulation, appropriation managers had already been monitoring internal controls in accordance with 31 U.S.C. 3512, the Federal Managers' Financial Integrity Act, OMB Circular A-123 and Army Regulation 11-2. Army's annual assessment of the effectiveness of internal controls for both financial and non-financial operations ultimately flows to the SECARMY as part of the Annual Statement of Assurance. It was via this process that the Army identified and elevated the material weakness associated with PCS moves.

Pages 8 and 30

Revised, page 15

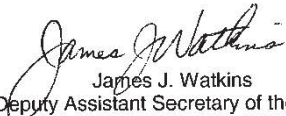
SUBJECT: Draft Report, DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, but Vulnerabilities Remain (D2012-D000FI-0118.000)

- On page 11 the narrative provides a brief discussion on implementation of Enterprise Resource Planning systems across the department. Army strongly believes automation is the key to improving controls in a meaningful way. Annually assessing internal controls is an important management function that provides continued benefit; however, the challenges MILPERS appropriation managers face fundamentally revolve around system shortcomings rather than people or process challenges. This would be an important point to make more forcefully in the audit report.
- During the summer of 2012 the Army changed procedures used to identify and cost transfer subsistence-in-kind charges associated with feeding civilians in theater by accessing a CENTCOM report that provides better detail on the actual number of civilians in theater. The use of the Funds Control Module is no longer a material part of MPA appropriation management as this system was used as an interface to a DLA system the Army now uses minimally since implementation of the Army Food Management Information System.

4. Finally, the audit also makes the following recommendation for the Army, which we would like to address:

- A.2. We recommend that the Assistant Secretaries of the Army, Navy and Air Force (Financial Management and Comptroller) establish procedures to maintain records documenting corrective actions taken for each ADA violation for at least 6 years and 3 months subsequent to either the date of the ADA report to the President or the date of the last implemented corrective action for an ADA violation, whichever is the later date.
- Army concurs. Effective immediately, Army will begin tracking and sustaining corrective actions for all open formal ADA cases that will close in FY 2013 and beyond. Fund holders at activities where the ADA occurred will be responsible for providing recurring status updates that will be reported to OSD under the aegis of the Annual Evaluation of the Army's Administrative Fund Control Process and the Processing of Violations of the Antideficiency Act.

5. My point of contact for this report is [REDACTED] who can be reached at [REDACTED]


James J. Watkins
Deputy Assistant Secretary of the Army
(Financial Operations)

Department of the Navy Comments



THE ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

NOV 15 2012

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Review of DODIG Draft Report "DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, but Vulnerabilities Remain" (Project No. D2012-D000FI-0118.000)

We appreciate the opportunity to review and comment on this draft DoD-IG report. The accompanying attachment provides the Department of Navy response on recommendations A.2. and B.2.

Although we do not have objections to the audit findings and recommendations, we remain concerned about the risk of future Antideficiency Act (ADA) violations associated with our military personnel accounts. As discussed with your staff, the Department will implement the best estimating techniques and strong internal controls, but these actions may not stop a military personnel account ADA violation from occurring because of the unique nature of the account. The execution agility of military personnel pay is different from any other account. For instance, accounts that pay civilians have flexibility to make fiscal tradeoffs during the execution year. These accounts have other "non-pay" related efforts that can be reduced to cover civilian pay costs. Military personnel accounts do not have the same execution flexibility which therefore contributes to the high risk ADA violation aspect. To ensure that the Congress fully appreciates the dynamics of military personnel accounts, it would be helpful if the report was to focus on the aforementioned concerns and provide viable alternatives that the Congress could implement to reduce the risk of future military personnel ADAs.


Gladys J. Commons

Attachment:
As stated

DoDIG Draft Report “DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, But Vulnerabilities Remain” (Project No. D2012-D000FI-0118.000)

The Department of the Navy (DON) requests a change to footnote 2 currently on page 6 of the report. The ASN(FM&C) position has control over the budget, cost, and financial operations but does not have control over manpower. In the DON manpower is with the Assistant Secretary of the Navy (Manpower and Reserve Affairs).

Revised, page 6

With regard to the two recommendations assigned to the DON, the following applies:

Recommendation A.2.: We recommend that the Assistant Secretaries of the Army, Navy, and Air Force (Financial Management and Comptroller) establish procedures to maintain records documenting corrective actions taken for each ADA violation for at least 6 years and 3 months subsequent to either the date of the ADA report to the President or the date of the last implemented corrective action for an ADA violation, whichever is the later date.

DON Comment: Concur. We will retain records documenting procedural actions taken for each ADA violation consistent with National Archives and Records Administration records retention guidance.

Recommendation B.2: We recommend that the Assistant Secretary of the Navy (Financial Management and Comptroller) identify all of the Navy’s centrally managed allotments and commence performing and documenting reviews of its centrally managed allotments, including the Navy and Marine Corps Military Personnel Accounts.

DON Comment: Concur. Upon OUSD(C)’s completion of recommendation B.1 clarifying the definition of a centrally managed allotment and promulgation of guidance, the Department of the Navy will comply with the OUSD(C) direction.

Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

19 NOV 2012

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: SAF/FMP


SUBJECT: Management Comments on DoDIG Audit Report No. D2012-D000FI-0118.000,
"DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in
Military Personnel Accounts, But Vulnerabilities Remain", dated November 6, 2012

This is in reply to your request for an updated status on corrective actions taken in
response to findings and recommendations made in the subject report.

Recommendation: A.2 We recommend that the Assistant Secretaries of the Army, Navy,
and Air Force (Financial Management and Comptroller) establish procedures to maintain records
documenting corrective actions taken for each ADA violation for at least 6 years and 3 months
subsequent to either the date of the ADA report to the President or the date of the last
implemented corrective action for an ADA violation, whichever is the later date.

Response: Air Force concurs with DoD/IG's recommendation. SAF/FMP will track
corrective actions for reportable ADA violations, as described above. SAF/FMP will work with
OUSD(C) and the other Services to establish procedures and a standard format to report on
corrective actions.

If you have any questions or concerns with our comments, please contact [REDACTED]


JOAN A. CAUSEY
Deputy Assistant Secretary
Financial Operations
(Financial Management)

CC:
OUSD(C)

"Financing the Fight"



Inspector General Department of Defense

